

**EASEMENT AGREEMENT
(Annual Increase-Environmental)**

THIS AGREEMENT, made and entered into this 15th day of July 2004, by and between the METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO, a municipal corporation organized and existing under the laws of the State of Illinois, hereinafter called the "District" and PEOPLES GAS LIGHT & COKE COMPANY, AN Illinois corporation, hereinafter called the "Grantee."

WHEREAS, the Grantee desires a 35-year non-exclusive easement to construct, reconstruct, operate, maintain, repair and remove a 30-foot portion of a natural gas main and/or appurtenances relating thereto upon, over, across, under and through the real estate located at 3154 South California Avenue in Chicago, Illinois, and legally described and depicted in Exhibit A which is attached hereto and made a part hereof; and

WHEREAS, the District is willing to grant to the Grantee the easement aforesaid, upon the conditions hereinafter set forth;

NOW, THEREFORE, for and in consideration of the representations, covenants, conditions, undertakings, and agreements herein made, the parties hereto agree as follows:

ARTICLE ONE

1.01 The District hereby grants unto the Grantee a non-exclusive easement, right, privilege and authority for 35 years commencing on August 1, 2004, and terminating on June 14, 2039, for the sole and exclusive purpose to construct, reconstruct, operate, maintain, repair and remove a 30-foot portion of a natural gas main and/or appurtenances relating thereto, hereinafter for convenience sometimes called "Improvements and Facilities", in, over, under, across, along and upon the real estate legally described and depicted in Exhibit A which is attached hereto and made a part hereof, hereinafter called the "Easement Premises".

1.02 The District reserves the right of access to and use of the surface of the Easement Premises to the extent such use does not unreasonably interfere with the rights granted to Grantee hereunder. No permanent structures shall be built over any utility installed and maintained by the Grantee.

1.03 The Grantee covenants and agrees in consideration of the grant of said easement to pay to the District an annual easement fee in the amount of TEN DOLLARS AND NO/100 (\$10.00) the first annual installment of which is payable contemporaneously with Grantee's execution and delivery hereof.

OFFICIAL FILE

1.04 In addition to the aforesaid, the Grantee shall also pay, when due, all I.C.C. real estate taxes and assessments that may be levied, charged or imposed upon or

Joint Exhibit No. 49

Witness _____

Date 6-17-05 Reporter J.Y.

against the Easement Premises described in Exhibit A resulting from the presence of the Improvements and Facilities on the Easement Premises.

ARTICLE TWO

2.01 Grantee shall construct, install, operate, maintain and remove the Improvements and Facilities, in a good and workmanlike manner at its sole cost, risk and expense.

ARTICLE THREE

3.01 The construction and installation of the Improvements and Facilities of the Grantee on the Easement Premises shall be in accordance with plans and specifications therefor prepared at Grantee's expense and supplied to the District by the Grantee. No work shall commence until said plans and specifications have been approved in writing by the Chief Engineer of the District, such approval not to be unreasonably withheld or delayed.

3.02 The construction and installation of the Improvements and Facilities by the Grantee on the Easement Premises shall be done to the satisfaction of the Chief Engineer of the District.

3.03 The Grantee shall compensate the District for any additional costs that the District may sustain in any future construction of sewers, reservoirs or any other surface or underground structures caused by the presence of the Improvements and Facilities of the Grantee on the Easement Premises.

3.04 The Grantee shall relocate or remove the Improvements and Facilities existing or constructed upon the Easement Premises at no cost to the District:

- A.** In the event that the subject premises are adjacent to any channel, waterway or reservoir, and said channel, waterway or reservoir is to be widened by the District or any other governmental agency; or
- B.** In the event that any agency of government, having jurisdiction over said channel, waterway or reservoir requires the relocation or removal of said improvements; or
- C.** In the event that said relocation or removal is required for the corporate purposes of the District.

3.05 In the event any such relocation or removal is required under any of the circumstances identified hereinabove, the District shall, to the extent it has unencumbered land available, grant Grantee such easements over the District's adjoining land as may be required for the relocation of the Grantee's Improvements and Facilities.

ARTICLE FOUR

4.01 The District expressly retains its interest in and rights to the use and occupation of the Easement Premises subject to the easement rights herein granted, and the District may grant further easements, assign, sell or lease the same to other parties subject to the Grantee's right of use and a reasonable means of access to said Improvements and Facilities for construction, reconstruction, operation, maintenance, repair or removal thereof.

4.02 The Grantee shall be solely responsible for and shall defend, indemnify, keep and save harmless the District, its Commissioners, officers, agents and employees, against all injuries, deaths, losses, damages, claims, patent claims, liens, suits, liabilities, judgments, costs and expenses which may in any wise accrue against the District, its Commissioners, officers, agents or employees, as a result of Grantee's use and/or occupancy of the Easement Premises or the acts or omissions of the Grantee, its employees, agents and contractors (collectively, the "Grantee Group") hereunder, or which may in anywise result from such use and/or occupancy or from any work done hereunder by or on behalf of the Grantee, in connection with Grantee's use and/or occupancy of the Easement Premises, whether or not it shall be determined that the act was caused by the negligence of the Grantee Group (subject to the indemnity limitation contained in the last sentence of this paragraph), and the Grantee shall, at Grantee's sole expense, appear, defend and pay all reasonable charges of attorneys and all reasonable costs and other expenses arising therefrom or incurred in connection therewith, and, if any judgment shall be rendered against the District, its Commissioners, officers, agents or employees, in any such action, the Grantee shall, at the Grantee's sole expense satisfy and discharge the same provided that Grantee shall first have been given prior notice of the suit in which judgment has been or shall be rendered, Grantee shall have been given prior notice of the suit in which judgment has been or shall be rendered, Grantee shall have been given an opportunity to defend the same and the District shall have given Grantee its full cooperation. Grantee expressly understands and agrees that any performance bond or insurance protection required by this Easement or otherwise provided by Grantee, shall in no way limit the responsibility to indemnify, keep and save harmless and defend the District as herein provided. Grantee will not indemnify the District for the District's own negligence or the negligence of his employees, agents and contractors.

4.03 The Grantee prior to entering upon said premises and using the same for the purposes for which this Easement is granted, shall prepare and transmit to the District an acknowledged statement that the Grantee is a self-insurer, and that it undertakes and promises to insure the District, its Commissioners, officers, agents, servants and employees on account of risks and liabilities contemplated by the indemnity provisions of this Easement (Article Four, Paragraph 4.02) above, and that such statement is issued in lieu of policies of insurance or certificates of insurance in which the District, its Commissioners, officers, agents, servants and em-

employees would be an additional insured, and that it has funds available to cover those liabilities in the respective amounts therefor, as set forth as follows:

COMPREHENSIVE GENERAL LIABILITY
Combined Single Limit Bodily Injury Liability
Property Damage Liability
(Including Liability for Environmental Contamination of Adjacent
Premises)
in the amount of not less than \$4,000,000.00
per Occurrence
and
Coverage for Environmental Contamination of Easement Premises
in an Amount of Not Less Than \$4,000,000.00 per Occurrence.

This statement shall be signed by such duly-authorized officer or agent of the Grantee having sufficient knowledge of the fiscal structure and financial status of the Grantee, to make such a statement on behalf of the Grantee and will be subject to the approval of the District.

ARTICLE FIVE

5.01 In the event of any default on the part of the Grantee to faithfully keep and perform all and singular the covenants, agreements and undertakings herein agreed by it to be kept and performed, or if said Improvements and Facilities are abandoned, the District shall give the Grantee notice in writing of such default or abandonment; and if such default or abandonment shall not have been rectified within ninety (90) days after receipt of such notice by the Grantee, or such additional time as may be reasonably agreed upon to effect cure by continuous, diligent acts of Grantee, all rights and privileges granted herein by the District to the Grantee may be terminated by the District; and upon such termination, the Grantee shall immediately vacate the Easement Premises and remove its improvements and Facilities from said real estate and restore the land to its condition prior to the Grantee's entry thereon, all at the sole cost of the Grantee.

5.02 The Grantee shall have the right to give the District written notice to cease and terminate all rights and privilege under this agreement. In the event of such termination, the Grantee shall have a period of one hundred twenty (120) days from and after such termination date to remove the Improvements and Facilities and to restore the land to its original condition at no cost to the District.

The expiration of said removal and restoration date shall in no event extend beyond the expiration date of this Easement.

5.03 The Grantee understands and agrees that upon the expiration of this Easement, Grantee shall have removed or caused to be removed its Improvements and Facilities and any other things which Grantee has erected or placed upon said Easement Premises. In connection with the foregoing, Grantee agrees to yield up

said Easement Premises in as good condition as when the same was entered upon by the Grantee, ordinary wear and tear excepted. Upon Grantee's failure to do so, the District may do so at the sole expense and cost of Grantee.

ARTICLE SIX

6.01 The Grantee also agrees that if the District incurs any additional expense for additional work resulting from Grantee's use and/or occupancy of the Easement Premises which the District would not have had to incur if this Easement had not been executed, then, in that event, the Grantee agrees to pay to the District such additional expense as determined by the Chief Engineer of the District, promptly upon rendition of bills therefor to the Grantee.

6.02 The Grantee covenants and agrees that it will reimburse the District, make all necessary repairs at its sole cost and expense and otherwise keep and save harmless the District from any loss, cost or expense arising out of the granting of this Easement suffered to property of the District by way of damage to or destruction thereof, caused by any act or omission of the Grantee, Grantee's agents, employees, contractors, subcontractors, or anyone else acting through or on behalf of Grantee, its agents, employees, contractors, or subcontractors,

6.03 During the term of this Easement, the District shall not be liable to the Grantee for any loss, cost or expense which the Grantee shall sustain by reason of any damage to its property or business caused by or growing out of the construction, repair, reconstruction, maintenance, existence, operation or failure of any of the sewers, structures, channels or other works or equipment of the District now located or to be constructed on said Easement Premises, or on the land of the District adjacent to said Easement Premises.

ARTICLE SEVEN

7.01 Detailed plans of subsequent construction or material alteration of the Grantee's Improvements and Facilities shall first be submitted to the Chief Engineer of the District for approval. Construction work shall not begin until such approval is given to Grantee in writing, such approval not to be unreasonably withheld or delayed.

7.02 The Grantee, prior to entering upon said premises and using the same for the purposes for which this Easement is granted, shall, at Grantee's sole cost and expense, obtain any permits, consents and licenses applicable to Grantee's activities on the Easement Premises which may be required under any and all statutes, laws, ordinances and regulations of the District, the United State's of America, and any other regulatory body having jurisdiction over the Easement Premises, the Grantee or its activities thereunder, the State of Illinois, the County, or the city, village, town or municipality in which the subject property is located, and furnish to the District suitable evidence thereof.

7.03 Any notice herein provided to be given shall be deemed properly served if delivered in writing personally or mailed by registered or certified mail, postage prepaid, return receipt requested to the District in care of the General Superintendent, 100 East Erie Street, Chicago, Illinois 60611, or to the Grantee in care of:

Peoples Energy
130 E. Randolph
Chicago, Illinois 60601
Attn: Manager of Engineering

or to such other persons or addresses as either party may from time to time designate.

ARTICLE EIGHT

8.01 The Grantee covenants and agrees that it shall strictly comply with any and all statutes, laws, ordinances and regulations of the District, the United States of America, the State of Illinois, the county and the city, village, town or municipality in which the subject property is located, which in any manner may affect any work done hereunder or control or limit in any way the actions of Grantee, its agents, servants and employees, or of any contractor or subcontractor of Grantee, or their employees hereunder.

8.02 The Grantee agrees to take such precautions as may be reasonably required to avoid any injury or damage by Grantee to all existing District facilities within the Easement Premises, including, but not limited to, intercepting sewers, sludge lines, utility lines, dropshafts, connecting structures, siphons and manholes.

ARTICLE NINE

GENERAL ENVIRONMENTAL PROVISIONS

9.01 DEFINITIONS

A. "Environmental Laws" shall mean all. present and future statutes, regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations and similar items, of all government agencies, departments, commissions, boards, bureaus, or instrumentalities of all the United States, state and political subdivision thereof and all applicable judicial, administrative, and regulatory decrees, judgments, orders, notices or demands relating to industrial hygiene, and the protection of human health or safety from exposure to Hazardous Materials, or the protection of the environment in any respect, including without limitation:

- (1) all requirements applicable to Hazardous Materials including, without limitation, those pertaining to notification, warning, reporting, licensing, permitting, investigation and remediation of the presence, crea-

tion, manufacture, processing, use, management, distribution, transportation, treatment, storage, disposal, handling, or release of Hazardous Materials;

- (2) all requirements pertaining to the protection of employees or the public from exposure to Hazardous Materials or injuries or harm associated therewith; and
- (3) the Comprehensive Environmental Response, Compensation and Liability Act (Superfund or CERCLA) (42 U.S.C. Sec. 9601 et seq.), the Resource Conservation and Recovery Act (Solid Waste Disposal Act or RCRA) (42 U.S.C. Sec. 6901 et seq.), Clean Air Act (42 U.S.C. Sec. 7401 et seq.), the Federal Water Pollution Control Act (Clean Water Act) (33 U.S.C. Sec. 1251 et seq.), the Emergency Planning and Community Right-to-Know Act (42 U.S.C. Sec. 11001 et seq.), the Toxic Substances Control Act (15 U.S.C. Sec. 2601 et seq.), the National Environmental Policy Act (42 U.S.C. Sec. 4321 et seq.), the Rivers and Harbors Act of 1988 (33 U.S.C. Sec. 401 et seq.), the Endangered Species Act of 1973 (16 U.S.C. Sec. 1531 et seq.), the Safe Drinking Water Act (42 U.S.C. Sec. 300(f) et seq.), the Illinois Environmental Protection Act (415 ILCS 5/1 et seq.) and all rules, regulations and guidance documents promulgated or published thereunder, Occupational Safety and Health Act (29 U.S.C. Sec. 651 et seq.) and all similar state, local and municipal laws relating to public health, safety or the environment.

B. "Hazardous Materials" shall mean:

- (1) any and all asbestos, synthetic gas, liquified natural gas, gasoline, diesel fuel, petroleum, petroleum products, petroleum hydrocarbons, petroleum by-products, petroleum derivatives, crude oil and any fraction of it, polychlorinated biphenyls (PCBs) tri-chloroethylene, ureaformaldehyde and radon gas;
- (2) any substance (whether solid, liquid or gaseous in nature), the presence of which (without regard to action level, concentration, or quantity threshold) requires investigation or remediation under any federal, state or local statute, regulation, ordinance, order, action, policy or common law;

- (3) any substance (whether solid, liquid or gaseous in nature) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, reactive or mutagenic;
- (4) any substance (whether solid, liquid or gaseous in nature) other than electricity, the presence of which could cause or threaten to cause a nuisance upon the area subject to easement or to adjacent properties or pose or threaten to pose a hazardous threat to the health or safety of persons on or about such properties;
- (5) any substance (whether solid, liquid or gaseous in nature) the presence of which on adjacent properties could constitute trespass by or against Grantee or District;
- (6) any materials, waste, chemicals and substances, whether solid, liquid or gaseous in nature, now or hereafter defined, listed, characterized or referred to in any Environmental Laws as "hazardous substances", "hazardous waste", "infectious waste," "medical waste," "extremely hazardous waste," "hazardous materials," "toxic chemicals," "toxic substances," "toxic waste," "toxic materials," "contaminants," "pollutants," "carcinogens," "reproductive toxicants," or any variant or similar designations;
- (7) any other substance (whether solid, liquid or gaseous in nature) which is now or hereafter regulated or controlled under any Environmental Laws (without regard to the action levels, concentrations or quantity thresholds specified herein); or
- (8) any result of the mixing or addition of any of the substances described in this Subsection B with or to other materials.

C. "Phase I Environmental Assessment" shall mean:

- (1) an assessment of the Easement Premises and a reasonable area of the immediately adjacent premises owned by the District prepared under the direction of and certified by a registered professional engineer or geologist licensed in Illinois (who may be an employee of Grantee) with experience and expertise in

conducting environmental assessments of real estate and said assessment shall include, but not necessarily be limited to an historical review of the use (abuse) of the Easement Premises, a review of the utilization and maintenance of Hazardous Materials on the Easement Premises, a review of the Easement Premises' permit and enforcement history (by review of regulatory agency records), a site reconnaissance and physical survey, inspection of Easement Premises, interviews of Grantee's personnel having knowledge of Grantee's site operations and site history evaluations, basic engineering analyses of the risks to human health and the environment of any areas of identified concerns, and preparation of a written report which discusses history, site land use, apparent regulatory compliance or lack thereof and which includes historical summary, proximity to and location of USTs, LUSTs, TSDFs, CERCLA site flood plain, maps, photograph log references, conclusions and recommendations, consistent with the most recent protocol established therefor by the American Society for Testing Materials ("ASTM"), except as modified herein.

D. "Phase II Environmental Assessment" shall mean:

- (1) an assessment of the Easement Premises and a reasonable area of the immediately adjacent property owned by the District prepared under the direction of and certified by a registered professional engineer or geologist licensed in Illinois (who may be an employee of Grantee) with experience and expertise in conducting environmental assessments of real estate and said assessment shall include representative sampling of soils, groundwaters and structures, followed by laboratory analysis of these samples and interpretation of the results, and preparation of a written report with boring logs, photograph logs, maps, investigative procedures, results, conclusions, recommendations, chain of custody documents and laboratory test results, consistent with the most recent protocol established therefor by ASTM.**

9.02 MANUFACTURE, USE, STORAGE, TRANSFER OR DISTRIBUTION OF HAZARDOUS MATERIALS UPON OR WITHIN THE EASEMENT

Grantee, for itself, its heirs, executors, administrators, and successors covenants that to the extent that any Hazardous Materials are manufactured, brought upon, placed, stored, transferred, conveyed or distributed upon or within the Easement Premises, by Grantee or its subtenant or assigns, or any of its agents, servants, employees, contractors or subcontractors, same shall be done in strict compliance with all Environmental Laws.

Construction or installation of new or reconstruction of any underground interconnecting conveyance facilities for any material or substance is not permitted without the advance written consent of the Chief Engineer of the District.

9.03 USE OF PREMISES (RESTRICTIONS - ENVIRONMENTAL)

Grantee shall use the Easement Premises only for purposes expressly authorized by Article 1.01 of this Easement Agreement. Grantee will not do or permit any act by any person or entity acting by, through or under Grantee that may impair the value of the Easement Premises or any part thereof that could materially increase the dangers, or pose an unreasonable risk of harm, to the health or safety of persons to third parties (on or off the Easement Premises) arising from activities thereon, or that could cause or threaten to cause a public or private nuisance on the Easement Premises or make any use of the Easement Premises in any manner (i) which could cause the Easement Premises to become a hazardous waste treatment, storage, or disposal facility within the meaning of, or otherwise bring the Easement Premises within the ambit of, the Resource Conservation and Recovery Act of 1976, Section 6901 et seq. of Title 42 of the United States Code, or any similar state law or local ordinance, (ii) so as to cause a release or threat of release of Hazardous Materials from the Easement Premises within the meaning of, or otherwise bring the Easement Premises within the ambit of, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, Section 9601 et seq. of Title 42 of the United States Code, or any similar state law or local ordinance or any other Environmental Law or (iii) so as to cause a discharge of pollutants or effluents into any water source or system, or the discharge into the air of any emissions, which would require a permit under the Federal Water Pollution Control Act, Section 1251 of Title 33 of the United States Code, or the Clean Air Act, Section 741 of Title 42 of the United States Code, or any similar state law or local ordinance.

9.04 CONDITION OF PROPERTY (ENVIRONMENTAL)

A. In the event Grantee has used the Easement Premises under a prior easement agreement, Grantee warrants and represents that as a result of Grantee's prior use and/or occupancy of the Easement Premises, the Easement Premises and improvements thereon, including all personal property, have not been exposed to contamination by any Hazardous Materials, that Grantee has not caused and has no

knowledge of having caused thereon a release, discharge, or emission, of any Hazardous Materials during its occupancy of the premises as defined by any Environmental Laws, and that the Easement Premises do not contain, or are not affected by underground storage tanks, landfills, land disposal sites, or dumps by Grantee or in any way connected to their use, occupancy or presence on the Easement Premises or arising out of such acts or omissions of Grantee.

B. In the event of a release, emission, discharge, or disposal of Hazardous Materials in, on, under or about the Easement Premises or the improvements thereon as a result of the activities of any member of the Grantee, after the execution date of this Agreement Grantee will take all appropriate response action, including any removal and remedial action .

9.05 INDEMNIFICATION (ENVIRONMENTAL)

A. In consideration of the execution and delivery of this Easement Agreement, the Grantee indemnifies, exonerates, and holds the District and its officers, officials, Commissioners, employees, and agents ("Indemnified Parties") free and harmless from and against any and all actions, causes of action, suits, losses, costs, liabilities, damages and expenses incurred in connection with Grantee's use and/or occupancy of the Easement Premises including reasonable attorney's fees, costs and disbursements, incurred by the Indemnified Parties as a result of or arising out of or relating to (i) the imposition of any governmental lien for the recovery of environmental cleanup costs expended by reason of Grantee's activities, or (ii) any investigation, litigation, or proceeding related to any environmental response, audit, compliance, or other matter relating to the protection of the environment relating to the Grantee, or (iii) the release or threatened release by Grantee, its subsidiaries, or its parent company, of any Hazardous Materials, or the presence of Hazardous Materials on or under the Easement Premises, or any property to which the Grantee, its parent company, or any of its subsidiaries has sent Hazardous Materials (including any losses, liabilities, damages, injuries, costs, expenses, or claims asserted or arising under any Environmental Law) caused by or within the control of the Grantee, its parent company or its subsidiaries, provided that, to the extent District is strictly liable under any Environmental Laws, Grantee's obligation to District under this indemnity shall be as a result of any act or omission of the Grantee or in any way connected to their use or occupancy of the Easement Premises or arising out of such acts or omissions of Grantee which result in liability to District. Grantee shall not indemnify the District for the District's own negligence or the negligence of the District's employees, agents, or contractors.

9.06 ENVIRONMENTAL COVENANTS

Grantee agrees to and covenants as follows:

A. Grantee covenants and agrees that, throughout the term of the Easement Agreement, all Hazardous Materials which may be used upon the Easement Premises by Grantee shall be used or stored thereon only in a safe, approved man-

ner, in accordance with all generally accepted industrial standards and all Environmental Laws.

B. Grantee has been issued and is in compliance with all permits, certificates, approvals, licenses, and other authorizations relating to environmental matters and necessary for its business on the Easement Premises, if any.

C. Grantee, to the best of its knowledge, is not a potentially responsible party with respect to any other facility receiving waste of the Grantee from the Easement Premises under CERCLA or under any statute providing for financial responsibility of private parties for cleanup or other actions with respect to the release or threatened release of any Hazardous Materials.

D. Grantee will take all reasonable steps to prevent a violation of any Environmental Laws as a result of its operations on the Easement Premises. There will be no spill, discharge, leaks, emission, injection, escape, dumping, or release of any toxic or Hazardous Materials by any persons on the Easement Premises as a result of the activities by the Grantee.

E. Subsequent to the effective date of this Agreement, Grantee will not allow the installation by the Grantee of asbestos on the area described in Exhibit A or any item, article, container or electrical equipment, including but not limited to transformers, capacitors, circuit breakers, reclosers, voltage regulators, switches, electro-magnets and cable, containing PCBs.

F. The aforesaid representations and warranties shall survive the expiration or termination of the Easement Agreement.

9.07 COVENANTS (ENVIRONMENTAL)

Grantee shall cause its parent company and each of its respective subsidiaries, contractors, subcontractors, employees and agents to:

- A. (1) Use and operate all of the Easement Premises in compliance with all applicable Environmental Laws, keep any materials, permits, approvals, certificates, and licenses in effect and remain in material compliance with them; and
- (2) undertake reasonable and cost-effective measures to minimize any immediate environmental impact of any spill or leak of any Hazardous Materials caused by the Grantee.

B. Notify District by use of the District's telephone hotline (telephone # 312/787-3575) within four (4) hours of the discovery of a reportable release of Hazardous Materials, on the Easement Premises caused by the Grantee including the extent to which the identity of the Hazardous Materials is known, the quantity thereof and cause(s) of the release, and provide District within 72 hours of the

event, with copies of all written notices by Grantee, its parent and its subsidiaries that are reported to government regulators or received from the government regulators.

C. Provide such information that District, may reasonably request from time to time to determine compliance by the Grantee with this Article.

D. Grantee covenants and agrees to cooperate with District in any inspection, assessment, monitoring or redemption instituted by District during the Easement Agreement.

9.08 COMPLIANCE (ENVIRONMENTAL)

The Grantee will cause its parent company and each of its subsidiaries, if any, to exercise due diligence to comply with all applicable Environmental Laws directly related to Grantee's activities on the Easement Premises.

A. In the event of a reportable spill, leak or release of Hazardous Material affecting the Easement Premises and caused by Grantee, its employees or its agents, Grantee shall notify the District thereof in accordance with Section 9.07B hereof and the District shall determine whether Grantee shall be required to obtain a Phase Two Environmental Assessment with respect to the affected premises used under the Easement Agreement. The written report of the Phase Two Environmental Assessment shall be submitted to District within 120 days of District's request for same. If the Phase Two Assessment discloses the presence of any Hazardous Materials contamination on the Easement Premises or immediately adjacent premises resulting from activities by the Grantee, Grantee shall take immediate action to remediate the contamination as provided in Section 9.08E(4) hereof and to restore the Easement Premises described in Exhibit A and adjacent premises owned by the District to the extent required by any and all Environmental Laws.

B. Capacitors, transformers, or other environmentally sensitive installations or improvements shall be removed by Grantee prior to the termination of the Easement Agreement unless directed to the contrary in writing by the District.

C. If any Environmental Assessment reveals, or District otherwise becomes aware of, the existence of any violation of any Environmental Laws on the Easement Premises resulting from activities by Grantee that either Grantee is unwilling to remediate or that District is unwilling to accept, District shall have the right and option to terminate this Agreement after ninety (90) days written notice and to declare it null and void.

D. In the event Grantee should receive a Notice of Environmental Problem, Grantee shall promptly provide a copy to the District, and in no event later than seventy two (72) hours from Grantee's receipt or submission thereof. "Notice of Environmental Problem" shall mean any notice, letter, citation, order, warning, complaint, inquiry, claim, or demand from any governmental entity that: (i) the Grantee

has violated, or is about to violate, any Environmental Laws in connection with its use and/or occupancy of the Easement Premises; (ii) there has been a release, or there is a threat of release, of Hazardous Materials, on the Easement Premises, or any improvements thereon; (iii) the Grantee will be liable for the costs of cleaning up, remediating, removing, or responding to a release of Hazardous Materials affecting the Easement Premises or land adjacent thereto as a result of the acts or omissions of Grantee; (iv) any part of the Easement Premises or any improvements thereon is subject to a lien in favor of any governmental entity for any liability, costs, or damages, under any Environmental Laws, arising from or costs incurred by such government entity in response to a release of Hazardous Material affecting the Easement Premises or land adjacent thereto as a result of the acts or omissions of Grantee, Grantee shall promptly provide a copy to the District, and in no event later than seventy-two (72) hours from Grantee's receipt or submission thereof.

9.09 INSPECTION AND RIGHT OF INSPECTION (ENVIRONMENTAL)

A. In the event Grantee gives notice pursuant to the provisions of Notice of Environmental Problem, within ninety (90) days Grantee shall submit to District a written report of a site assessment and environmental audit prepared in conformity with the latest protocol established therefor by ASTM standards and prepared under the direction of and certified by a registered professional engineer or geologist licensed in Illinois (who may be an employee of Grantee), showing that the engineer made all appropriate inquiry consistent with the aforementioned ASTM standards, such that consistent with generally accepted engineering practice and procedure, no evidence or indication came to light which would suggest there was a release of substances on the Site or Property as a result of the activities of the Grantee which could necessitate an environmental response action, and which demonstrates that Grantee's use and/or occupancy the Site and Property complies with, and does not violate any applicable environmental statutes, laws, ordinances, rules, and regulations, including licenses, permits, or certificates required thereunder, and that the Grantee is in compliance with, and has not deviated from, the representations and warranties previously set forth.

B. District hereby expressly reserves to itself, its agents, attorneys, employees, consultants, and contractors, an irrevocable license and authorization to enter upon and inspect the Easement Premises and improvements thereon, and perform such tests, including without limitation, subsurface testing, soils, and groundwater testing, and other tests which may physically invade the Easement Premises or improvements thereon, as the District, in its sole discretion, determines is necessary to protect its interest. The District will cause reasonable safety precautions in accordance with applicable industry standards to be taken when performing work in the immediate vicinity of Grantee's electrical facilities.

ARTICLE TEN

10.01 It is agreed by and between the parties that the Grantee shall not assign this Easement without the prior written consent of the District. Grantee shall notify the District in writing not less than sixty (60) days prior to any proposed assignment. Grantee shall identify the name and address of the proposed assignee and deliver the District original or certified copies of the proposed assignment, a recital of assignee's personal and financial ability to comply with all the terms and conditions of the Easement Agreement and any other information or documentation reasonably requested by the District. The District shall not unreasonably withhold the consent to assignment

It is agreed that reasonable grounds for withholding consent shall include but not be limited to the following:

- A.** The proposed activity of the assignee does not conform with the terms of this Easement Agreement or policies established by the District.
- B.** The proposed assignee does not have either substantial experience in the business provided for in the Easement Agreement or the financial resources to comply with the requirements of the Easement Agreement.
- C.** There is an existing violation or uncured default by Grantee with respect to the Easement Agreement.

10.02 Assignment of this Easement Agreement shall be made only to an entity which has been authorized (to the extent such authorization is required) by the Illinois Commerce Commission (or the lawful successor thereof) to own, operate and maintain the facilities located on the Easement Premises.

10.03 Assignment without consent is a default under the Easement Agreement and grounds for immediate termination.

10.04 Prior to assignment, Grantee will comply with Section 9.08E hereof.

10.05 Any contamination of the site identified pursuant to said Section 9.08E which exceeds standards set for therein must be remediated or reasonable and timely arrangement made for such remediation in accordance with said Section. Such arrangements may require, among other things, that prior to a grant of consent to the assignment the Assignee shall provide a Restoration/Remediation Bond in a form satisfactory to the District, in a penal sum reasonably determined by the Chief Engineer of the District to cover the cost of the Remediation/Restoration of the contamination found on the Easement Premises pursuant to the Section 9.08E review.

10.06 Grantee is not released from this Easement Agreement upon Assignment.

10.07 In addition to the payment of all easement fees or additional compensation otherwise herein required to be paid by or performed by the Grantee or Assignee, Grantee will pay to District as additional compensation hereunder in the event Grantee assigns this Easement Agreement, fifty percent (50%) of all value it receives from its assignee for the use and occupancy of the Easement Premises in excess of the easement fees which Grantee is currently paying to District with respect to the Easement Premises.

10.08 It is agreed that this Easement Agreement shall not pass by operation of law to any trustee or receiver in bankruptcy or for the assignment for the benefit of creditors of the Lessee.

ARTICLE ELEVEN

11.01 On or before the commencement of the last three year period of the easement term hereunder, Grantee may submit a letter of intent to renew and within eighteen (18) months prior to expiration, execute the renewed easement.

11.02 All provisions of this Easement Agreement, including the benefits and burdens, shall run with the land.

11.03 This Easement Agreement shall be recorded in the office of the Recorder of Deeds of Cook County, Illinois at Grantee's expense.

IN WITNESS WHEREOF, on the day and year first above written, the parties hereto have caused these presents, including Riders and Exhibits, if any, to be duly executed, duly attested and their corporate seats to be hereunto affixed.

**METROPOLITAN WATER RECLAMATION DISTRICT
OF GREATER CHICAGO**

By: 

Gloria Alitto Majewski
Chairman, Committee on Finance

ATTEST:

By: 

Jacqueline Torres, Clerk

PEOPLES GAS LIGHT & COKE COMPANY

By: 

Title: 

ATTEST

By: 

Title: ASSISTANT GENERAL COUNSEL & SECRETARY

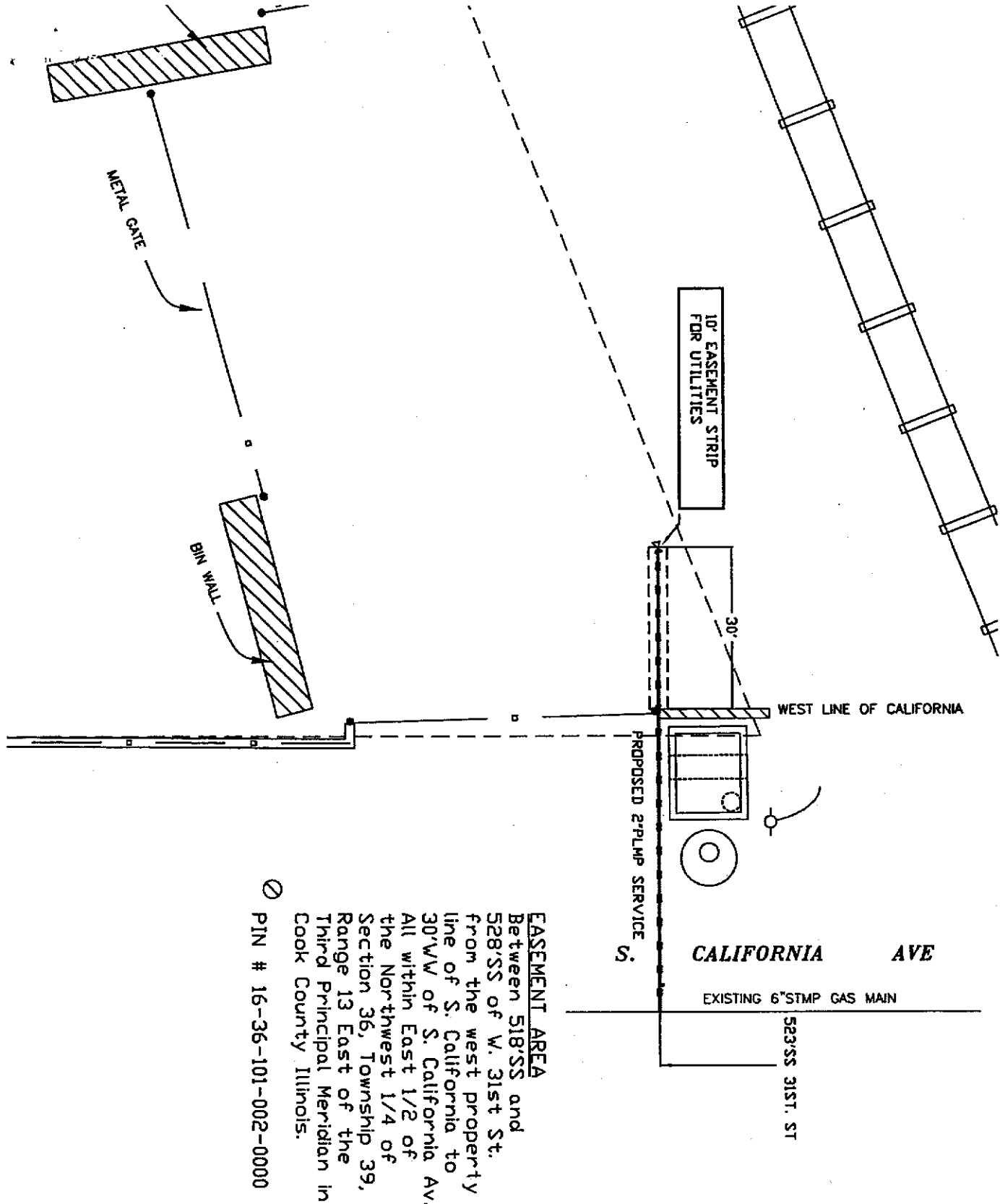


EXHIBIT A

3152 S. CALIFORNIA
AV.
UTILITY EASEMENT
EXHIBIT A

DATE	BY	SCALE	BY
1/15/06	CHAS. W.	1"=10'	1/15/06

STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

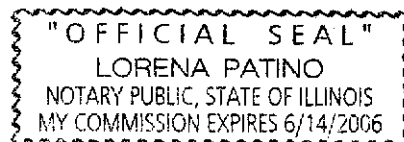
The undersigned, a Notary Public in and for said County, in the State
aforesaid, DOES HEREBY CERTIFY that WILLARD S. EVANS, JR.
(Name)
personally known to me to be the VICE PRESIDENT
(Title)
of said THE PEOPLES GAS
(Name of Corporation/Partnership) and PETER KAUFFMAN
(Name)
personally know to me to be the ASSISTANT GENERAL COUNSEL & SECRETARY
(Title)
of said corporation/partnership and personally known to me to be same
persons whose names are subscribed to the foregoing instrument, appeared
before me this day in person and severally acknowledged that as such
VICE PRESIDENT and ASSISTANT GENERAL COUNSEL & SECRETARY
(Title) (Title)
of said corporation/partnership, duly executed said instrument in behalf of
said corporation/partnership as their free and voluntary act and as the free
and voluntary act and deed of said corporation/partnership, for the uses and
purposes therein set forth.

GIVEN under my hand and Notarial Seal this 15TH day of NOVEMBER,
A.D. 2004.

Lorena Patino
Notary Public

My Commission expires:

JUNE 14, 2006



STATE OF ILLINOIS)

) SS.

COUNTY OF COOK)

I, Nancy V. Murphy

Notary Public in

GIVEN under my hand and Notarial Seal this

15T

day of December

A.D. 2004

Notary Public

My Commission expires:

APPROVED AS TO FORM AND LEGALITY:


Head Assistant Attorney


Attorney

APPROVED AS TO PLAT AND LEGAL DESCRIPTION:


Engineer of Infrastructure Management


Assistant Chief Engineer of Infrastructure & Budget Management Division


Chief Engineer

APPROVED:


General Superintendent

RECEIVED:

Fee 

Insurance 

Bond 